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LEGISLATIVE COUNCIL

FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 1985

PERFORMED UNDER CONTRACT BY:

EVE LAIRD & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF MONTANA  
LEGISLATIVE COUNCIL

FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 1985

PERFORMED UNDER CONTRACT BY:

EVE LAIRD & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



STATE OF MONTANA

# Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122



SCOTT A. SEACAT  
LEGISLATIVE AUDITOR

October 29, 1985

DEPUTY LEGISLATIVE AUDITORS.

JAMES GILLETT  
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI  
PERFORMANCE AUDITS

LEGAL COUNSEL.

JOHN W. NORTHEY

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Council for  
the two fiscal years ended June 30, 1985.

The audit was conducted by Eve Laird and Company under a contract  
between the firm and our office. The comments and recommendations  
contained in this report represent the views of the firm and not  
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is  
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett  
Deputy Legislative Auditor



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ELECTED AND APPOINTED OFFICIALS  
LEGISLATIVE COUNCIL

1985-1987

SENATORS

Allen Kolstad, Chairman  
M.K. Daniels, Vice-Chairman  
Jack Galt  
J.D. Lynch

REPRESENTATIVES

Rex Manuel  
Ralph Eudaily  
Robert Marks  
John Vincent

Diana Dowling, Executive Director

1983-1985

SENATORS

Allen Kolstad, Vice-Chairman  
Pat Goodover  
Carroll Graham  
M.K. Daniels

REPRESENTATIVES

Rex Manuel, Chairman  
Ralph Eudaily  
Robert Marks  
John Vincent

Diana Dowling, Executive Director



## SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's response.

### Page

#### Recommendation #1

That all property acquisitions be recorded into the PAMS listing in a timely fashion, so that the PAMS listing is current and available for financial statements purposes.

3

Agency Response: Concur. See page 14.

#### Recommendation #2

That the accounting records are updated monthly to agree with the perpetual inventory records.

3

Agency Response: Disagree. See page 14.

#### Recommendation #3

That the Legislative Council take a physical inventory of fixed assets during the period of our examination.

3

Agency Response: Concur. See page 14.

#### Recommendation #4

That the Legislative Council retain the inventory sheets for future reference, to support the quantities on hand.

4

Agency Response: Concur. See page 14.



## INTRODUCTION

We performed a financial-compliance audit of the Legislative Council for the two fiscal years ended June 30, 1985. The objectives of the audit were to: (1) determine if the financial schedules present fairly the Council's results of operations for the two fiscal years ended June 30, 1985; (2) determine if the Council complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Council.

This report contains recommendations to the Council. These recommendations address areas where the Council can improve management, internal control, financial reporting, and compliance with laws and regulations. Other areas of concern deemed not to have a significant effect on the successful operations of the Council's programs are not specifically included in the report, but have been discussed with management.

In accordance with Section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the staff of the Legislative Council for their cooperation and assistance during our audit.

## BACKGROUND

Title 5, Chapter 5 and 11, MCA, established the Legislative Council as an eight-member council. The function of the Council is to provide legal services, bill drafting and research to the Legislature and interim committees. The Legislative Council also enrolls, prints, and mails all bills and prepares House and Senate Journals and Session Laws for publication. The staff also provides for the recodification and indexing of Montana Statutes.

The Legislative Council consists of:

Legislative Research  
Legislative Services  
Management  
Legal Services  
Interim Studies and Conferences  
Montana Codes Annotated



## INTERNAL CONTROL

We have examined the financial schedules of the Legislative Council for the two fiscal years ended June 30, 1985. We issued our opinion dated October 17, 1985 on these schedules. As part of our examination, we made a study and evaluation of the Council's control system. Our study evaluated the system as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. Expenditures/liabilities;
2. property, plant, and equipment;
3. payroll; and
4. revenue/receivables.

Our study included the control categories listed above. We applied alternative audit tests to property, plant, and equipment as we determined it was more efficient to expand substantive testing for this area. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Legislative Council is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Legislative Council.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

The following report items discuss areas of concern noted during our audit of the Legislative Council.





## FIXED ASSETS INVENTORY

Property Accountability Management System (PAMS) was set up by the State of Montana as a subsystem for the accounting to manage and account for fixed assets which are owned by the State. The Legislative Council has not utilized the PAMS and these problems are discussed in the following paragraphs.

None of the acquisitions of fixed assets obtained by the Legislative Council during the two years ended June 30, 1985 have been entered into the PAMS listing. All fixed assets over \$200 are to be recorded in the property accounting as required by accounting policy. Unrecorded fixed assets have been discussed with the division officials and it has been verified that the Council is now in the process of recording the fixed assets that were acquired during the audit period. Apparently, there is a problem within the Council with the timely recording of fixed assets acquisitions.

### Recommendation

We recommend that all property acquisitions be recorded into the PAMS listing in a timely fashion, so that the PAMS listing is current and available for financial statement purposes.

## PERPETUAL INVENTORY RECORDS

Perpetual inventory records are being used for the Montana Code Annotated Inventory, and for the Constitutional Convention Sets, however, the SBAS accounting records are not adjusted on a monthly basis to reflect the changes in the perpetual records.

### Recommendation

We recommend that the accounting records are updated monthly to agree with the perpetual inventory records.

## PHYSICAL INVENTORY

The Legislative Council has not taken a physical inventory of fixed assets during the period of our audit examination.

### Recommendation

We recommend that the Legislative Council take a physical inventory of fixed assets on a yearly basis.

## INVENTORY COUNT SHEETS

An inventory of the Montana Code Annotated and the Con-Con Publications was taken at April 4, 1985, however, the inventory count sheets were not kept by the Legislative Council for future reference.



### Recommendation

We recommend that the Legislative Council retain the inventory sheets for future reference, to support the quantities on hand.

### Prior Audit Comments

The Legislative Council was last audited for the two fiscal years ended June 30, 1983 under a contract with Kindred Holland & Co. The audit report contained two recommendations, both of which were implemented.

### STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the Council. In our opinion, the Council complied with the state laws and regulations tested. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.



AUDITORS' REPORT  
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY



**Eve Laird & Company  
Certified Public Accountants**

**Suite 514 Strain Building  
Great Falls, Montana 59401  
Phone (406) 727-1798**

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the financial schedules of the Legislative Council for each of the two fiscal years ended June 30, 1985 and 1984 as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the Legislative Council's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the schedules referred to above present fairly the results of operations and the changes in fund balance of the Legislative Council for the two fiscal years ended June 30, 1985, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

*Eve Laird & Company*

**EVE LAIRD & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

**October 17, 1985**





LEGISLATIVE COUNCIL  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

|   | GENERAL<br>FUND | SPECIAL<br>REVENUE<br>FUND |
|---|-----------------|----------------------------|
| Fund Balance, July 1, 1983                  | \$0             | \$682,131                  |
| ADDITIONS:                                  |                 |                            |
| FISCAL YEAR 1984                            |                 |                            |
| Budgeted Revenue and Transfers In           | 19,167          | 663,284                    |
| Non-Budgeted Revenue and Transfers In       | (4,900)         | 65,202                     |
| Total Revenue and Transfers In              | 14,267          | 728,486                    |
| Prior Year Revenue Adjustments              |                 | (1,705)                    |
| Support from State of Montana               | 1,623,587       |                            |
| FISCAL YEAR 1985                            |                 |                            |
| Budgeted Revenue and Transfers In           | 13,276          | 41,247                     |
| Non-Budgeted Revenue and Transfers In       | (9,100)         | (64,113)                   |
| Total Revenue and Transfers In              | 4,176           | (22,866)                   |
| Prior Year Revenue Adjustments              |                 |                            |
| Support from State of Montana               | 2,354,565       |                            |
| TOTAL ADDITIONS                             | 3,996,595       | 703,915                    |
| REDUCTIONS:                                 |                 |                            |
| FISCAL YEAR 1984                            |                 |                            |
| Budgeted Expenditures and Transfers Out     | 1,643,439       | 534,931                    |
| Non-Budgeted Expenditures and Transfers Out |                 |                            |
| Total Expenditures and Transfers Out        | 1,643,439       | 534,931                    |
| Prior Year Expenditures Adjustments         | (5,585)         |                            |
| Prior Year Expenditures                     |                 |                            |
| Direct Entry to Fund Balance                |                 | 31,980                     |
| FISCAL YEAR 1985                            |                 |                            |
| Budgeted Expenditures and Transfers Out     | 2,359,062       | 234,117                    |
| Non-Budgeted Expenditures and Transfers Out |                 |                            |
| Total Expenditures and Transfers Out        | 2,359,062       | 234,117                    |
| Prior Year Expenditures Adjustments         | (323)           | 51                         |
| Prior Year Expenditures                     | 2               | 590                        |
| TOTAL REDUCTIONS                            | 3,996,595       | 801,669                    |
| FUND BALANCE, JUNE 30, 1985                 | \$0             | \$584,377                  |

See the accompanying accountants' report and notes to the financial schedules.



LEGISLATIVE COUNCIL  
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

|                                   | SALE<br>OF<br>DOCUMENTS<br>AND<br>MERCHANDISE | CONSTITUTIONAL<br>CONVENTION<br>INVENTORY<br>CHANGES | MONTANA<br>CODE<br>ANNOTATED<br>INVENTORY<br>CHANGES | TOTALS     |
|-----------------------------------|---|--|--|------------|
| <u>FISCAL YEAR 1984</u>           |   |  |  |            |
| General Fund                      |   |  |  |            |
| Estimated Revenue                 | \$22,000                                      | \$0  |  | \$22,000   |
| Actual Revenue                    | 19,167  | (4,900)  |  | 14,267     |
|                                   | <hr/>   | <hr/>  |  | <hr/>      |
| Collections Over (Under) Estimate | (\$2,833)                                     | (\$4,900)  |  | (\$7,733)  |
|                                   | =====   | =====  |  | =====      |
| Special Revenue Fund              |   |  |  |            |
| Estimated Revenue                 | \$450,000                                     |  | \$0  | \$450,000  |
| Actual Revenue                    | 663,284                                       |  | 58,060   | 721,344    |
|                                   | <hr/>   |  | <hr/>  | <hr/>      |
| Collections Over (Under) Estimate | \$213,284                                     |  | \$58,060   | \$271,344  |
|                                   | =====   |  | =====  | =====      |
| <u>FISCAL YEAR 1985</u>           |   |  |  |            |
| General Fund                      |   |  |  |            |
| Estimated Revenue                 | \$25,000                                      | \$0  |  | \$25,000   |
| Actual Revenue                    | 13,276  | (9,100)  |  | 4,176      |
|                                   | <hr/>   | <hr/>  |  | <hr/>      |
| Collections Over (Under) Estimate | (\$11,724)                                    | (\$9,100)  |  | (\$20,824) |
|                                   | =====   | =====  |  | =====      |
| Special Revenue Fund              |   |  |  |            |
| Estimated Revenue                 | \$45,000                                      |  | \$0  | \$45,000   |
| Actual Revenue                    | 41,247  |  | (66,785)   | (25,538)   |
|                                   | <hr/>   |  | <hr/>  | <hr/>      |
| Collections Over (Under) Estimate | (\$3,753)                                     |  | (\$66,785)   | (\$70,538) |
|                                   | =====   |  | =====  | =====      |

See the accompanying accountants' report and notes to the financial schedules.



LEGISLATIVE COUNCIL  
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

|                                 | LEGISLATIVE<br>COUNCIL<br>FEED BILL | INTERIM<br>STUDIES &<br>CONFERENCES | MONTANA<br>CODE<br>ANNOTATED | LEGISLATIVE<br>COUNCIL | TOTALS      |
|---------------------------------|-------------------------------------|-------------------------------------|------------------------------|------------------------|-------------|
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| GENERAL FUND                    |                                     |                                     |                              |                        |             |
| Budget                          | \$191,703                           | \$389,066                           | \$0                          | \$1,625,660            | \$2,206,429 |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               | 1,549                               | 45,576                              |                              | 996,326                | 1,043,451   |
| Operating Expenses              | 95,254                              | 137,564                             |                              | 284,627                | 517,445     |
| Equipment                       |                                     | 206                                 |                              | 82,337                 | 82,543      |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Total Actual                    | 96,803                              | 183,346                             | 0                            | 1,363,290              | 1,643,439   |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Unspent Appropriation Authority | \$94,900                            | \$205,720                           | \$0                          | \$262,370              | \$562,990   |
|                                 | =====                               | =====                               | =====                        | =====                  | =====       |
| SPECIAL REVENUE FUND            |                                     |                                     |                              |                        |             |
| Budget                          | \$0                                 | \$10,000                            | \$528,140                    | \$0                    | \$538,140   |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               |                                     | 2,115                               |                              |                        | 2,115       |
| Operating Expenses              |                                     | 5,454                               | 516,534                      |                        | 521,988     |
| Equipment                       |                                     |                                     | 10,828                       |                        | 10,828      |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Total Actual                    | 0                                   | 7,569                               | 527,362                      | 0                      | 534,931     |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Unspent Appropriation Authority | \$0                                 | \$2,431                             | \$778                        | \$0                    | \$3,209     |
|                                 | =====                               | =====                               | =====                        | =====                  | =====       |
| ALL FUNDS TOTAL                 |                                     |                                     |                              |                        |             |
| Budget                          | \$191,703                           | \$399,066                           | \$528,140                    | \$1,625,660            | \$2,744,569 |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               | 1,549                               | 47,691                              | 0                            | 996,326                | 1,045,566   |
| Operating Expenses              | 95,254                              | 143,018                             | 516,534                      | 284,627                | 1,039,433   |
| Equipment                       | 0                                   | 206                                 | 10,828                       | 82,337                 | 93,371      |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Total Actual                    | 96,803                              | 190,915                             | 527,362                      | 1,363,290              | 2,178,370   |
|                                 | -----                               | -----                               | -----                        | -----                  | -----       |
| Unspent Appropriation Authority | \$94,900                            | \$208,151                           | \$778                        | \$262,370              | \$566,199   |
|                                 | =====                               | =====                               | =====                        | =====                  | =====       |

See the accompanying accountants' report and notes to the financial schedules.



LEGISLATIVE COUNCIL  
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

|                                 | LEGISLATIVE<br>COUNCIL<br>FEED BILL | INTERIM<br>STUDIES &<br>CONFERENCES | MONTANA<br>CODE<br>ANNOTATED | LEGISLATIVE<br>COUNCIL | TOTALS      |
|---------------------------------|-------------------------------------|-------------------------------------|------------------------------|------------------------|-------------|
| GENERAL FUND                    |                                     |                                     |                              |                        |             |
| Budget                          | \$744,422                           | \$279,404                           | \$0                          | \$2,042,811            | \$3,066,637 |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               | 83,331                              | 29,889                              |                              | 1,217,249              | 1,330,469   |
| Operating Expenses              | 412,149                             | 148,569                             |                              | 440,737                | 1,001,455   |
| Equipment                       | 170                                 | 6,788                               |                              | 20,180                 | 27,138      |
| Total Actual                    | 495,650                             | 185,246                             | 0                            | 1,678,166              | 2,359,062   |
| Unspent Appropriation Authority | \$248,772                           | \$94,158                            | \$0                          | \$364,645              | \$707,575   |
| SPECIAL REVENUE FUND            |                                     |                                     |                              |                        |             |
| Budget                          | \$0                                 | \$1,840                             | \$277,000                    | \$0                    | \$278,840   |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               |                                     | 610                                 |                              |                        | 610         |
| Operating Expenses              |                                     | 1,047                               | 37,830                       |                        | 38,877      |
| Equipment                       |                                     |                                     | 194,630                      |                        | 194,630     |
| Total Actual                    | 0                                   | 1,657                               | 232,460                      | 0                      | 234,117     |
| Unspent Appropriation Authority | \$0                                 | \$183                               | \$44,540                     | \$0                    | \$44,723    |
| ALL FUNDS TOTAL                 |                                     |                                     |                              |                        |             |
| Budget                          | \$744,422                           | \$281,244                           | \$277,000                    | \$2,042,811            | \$3,345,477 |
| Actual                          |                                     |                                     |                              |                        |             |
| Personal Services               | 83,331                              | 30,499                              | 0                            | 1,217,249              | 1,331,079   |
| Operating Expenses              | 412,149                             | 149,616                             | 37,830                       | 440,737                | 1,040,332   |
| Equipment                       | 170                                 | 6,788                               | 194,630                      | 20,180                 | 221,768     |
| Total Actual                    | 495,650                             | 186,903                             | 232,460                      | 1,678,166              | 2,593,179   |
| Unspent Appropriation Authority | \$248,772                           | \$94,341                            | \$44,540                     | \$364,645              | \$752,298   |

See the accompanying accountants' report and notes to the financial schedules.





LEGISLATIVE COUNCIL  
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

|                            | LEGISLATIVE<br>COUNCIL<br>FEED BILL | INTERIM<br>STUDIES &<br>CONFERENCE | MONTANA<br>CODE<br>ANNOTATED | LEGISLATIVE<br>COUNCIL | TOTALS      |
|----------------------------|-------------------------------------|------------------------------------|------------------------------|------------------------|-------------|
| Personal Services          |                                     |                                    |                              |                        |             |
| Salaries                   | \$1,434                             | \$11,620                           | \$0                          | \$832,864              | \$845,918   |
| Hourly Wages               |                                     | 33,560                             |                              | 2,424                  | 35,984      |
| Other Compensation         |                                     | 2,511                              |                              |                        | 2,511       |
| Employee Benefits          | 115                                 |                                    |                              | 161,038                | 161,153     |
| Total Personal Services    | 1,549                               | 47,691                             | 0                            | 996,326                | 1,045,566   |
| Operating Expenses         |                                     |                                    |                              |                        |             |
| Contracted Services        | 90,718                              | 4,827                              | 475,451                      | 186,214                | 757,210     |
| Supplies & Materials       | 799                                 | 5,196                              | 987                          | 16,914                 | 23,896      |
| Communications             | 3,687                               | 3,538                              | 38,059                       | 21,331                 | 66,615      |
| Travel                     | 22                                  | 62,914                             | 2,028                        | 12,753                 | 77,717      |
| Rent                       |                                     | 226                                |                              | 30,643                 | 30,869      |
| Repair & Maintenance       |                                     |                                    |                              | 10,458                 | 10,458      |
| Other Expenses             | 28                                  | 66,317                             | 9                            | 6,314                  | 72,668      |
| Total Operating Expenses   | 95,254                              | 143,018                            | 516,534                      | 284,627                | 1,039,433   |
| Equipment                  | 0                                   | 206                                | 10,828                       | 82,337                 | 93,371      |
| TOTAL PROGRAM EXPENDITURES | \$96,803                            | \$190,915                          | \$527,362                    | \$1,363,290            | \$2,178,370 |

See the accompanying accountants' report and notes to the financial schedules.



LEGISLATIVE COUNCIL  
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

|                            | LEGISLATIVE<br>COUNCIL<br>FEED BILL | INTERIM<br>STUDIES &<br>CONFERENCES | MONTANA<br>CODE<br>ANNOTATED | LEGISLATIVE<br>COUNCIL | TOTALS      |
|----------------------------|-------------------------------------|-------------------------------------|------------------------------|------------------------|-------------|
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| Personal Services          |                                     |                                     |                              |                        |             |
| Salaries                   | \$77,146                            | \$10,841                            | \$0                          | \$1,020,944            | \$1,108,931 |
| Hourly Wages               |                                     | 17,979                              |                              | 4,602                  | 22,581      |
| Other Compensation         |                                     | 275                                 |                              |                        | 275         |
| Employee Benefits          | 6,185                               | 1,404                               |                              | 191,703                | 199,292     |
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| Total Personal Services    | 83,331                              | 30,499                              | 0                            | 1,217,249              | 1,331,079   |
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| Operating Expenses         |                                     |                                     |                              |                        |             |
| Contracted Services        | 276,466                             | 42,357                              | 27,686                       | 292,211                | 638,720     |
| Supplies & Materials       | 8,852                               | 5,846                               | 5,062                        | 50,428                 | 70,188      |
| Communications             | 126,556                             | 2,845                               | 3,926                        | 24,547                 | 157,874     |
| Travel                     |                                     | 37,063                              | 1,156                        | 13,602                 | 51,821      |
| Rent                       | 275                                 |                                     |                              | 41,886                 | 42,161      |
| Repair & Maintenance       |                                     |                                     |                              | 12,482                 | 12,482      |
| Other Expenses             |                                     | 61,505                              |                              | 5,581                  | 67,086      |
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| Total Operating Expenses   | 412,149                             | 149,616                             | 37,830                       | 440,737                | 1,040,332   |
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| Equipment                  | 170                                 | 6,788                               | 194,630                      | 20,180                 | 221,768     |
|                            | -----                               | -----                               | -----                        | -----                  | -----       |
| TOTAL PROGRAM EXPENDITURES | \$495,650                           | \$186,903                           | \$232,460                    | \$1,678,166            | \$2,593,179 |
|                            | =====                               | =====                               | =====                        | =====                  | =====       |

See the accompanying accountants' report and notes to the financial schedules.



## LEGISLATIVE COUNCIL

### NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 1985 AND 1984

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The Legislative Council utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

##### Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from the fund.

##### Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Legislative Council. Expenditures for termination pay currently are absorbed in the annual operational costs of the office. At June 30, 1985, the office had a liability of \$68,874 for vacation leave and \$28,874 for sick leave.



## LEGISLATIVE COUNCIL

### NOTES TO THE FINANCIAL SCHEDULES (CONT.) JUNE 30, 1985 AND 1984

#### 2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The Council's contributions to the plan are shown below:

|      | <u>Fiscal Year</u><br><u>1984-85</u> | <u>Fiscal Year</u><br><u>1983-84</u> |
|------|--------------------------------------|--------------------------------------|
| PERS | \$60,604                             | \$53,470                             |

#### 3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund beginning and ending fund balance will always be zero.

#### 4. GENERAL FIXED ASSETS

The office records assets on the State's Property and Accountability Management System. The general fixed asset equipment balance at June 30, 1985 is \$130,118. This amount does not include acquisitions during the fiscal years 1985 and 1984, which were not recorded on the Property and Accountability Management System.





## AGENCY RESPONSES



SENATE MEMBERS  
ALLEN C. KOLSTAD  
CHAIRMAN  
M. K. DANIELS  
VICE CHAIRMAN  
JACK E. GALT  
J. D. LYNCH

HOUSE MEMBERS  
RALPH S. EUDAILY  
REX MANUEL  
ROBERT L. MARKS  
JOHN VINCENT



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SHAROLE CONNELLY  
DIRECTOR, ACCOUNTING SERVICES  
HENRY C. TRENK  
DIRECTOR, LEGISLATIVE SERVICES  
HELEN J. MACPHERSON  
DIRECTOR, SECRETARIAL SERVICES

November 14, 1985

### Legislative Council Response Financial Compliance Audit Two Fiscal Years Ending June 30, 1985

#### Fixed Assets Inventory

Agree. At the present time, all fixed assets are being entered into PAMS and into a Council personal computer using a program developed in-house. This program is much more useful for inventory purposes than PAMS. The Purchasing and Supply Officer has set aside one day a week for this task until it is complete. In the future, fixed assets will be entered into both systems upon receipt.

#### Perpetual Inventory Records

Disagree. Since SBAS does not prepare external monthly reports, nothing would be gained by updating SBAS monthly. The Council adjusts inventory at fiscal year end for SBAS annual reports. In-house inventory records are always up-to-date, however.

#### Physical Inventory

Agree. The new PC computerized inventory program will be used for an annual inventory.

#### Inventory Count Sheets

Will comply. We fail to see how little slips of paper with markings on them are of any value. The count was entered on computer for future reference, but we will comply with the recommendations and keep original documents.

I would also like it of record that the Eve Laird auditors were extremely conscientious and considerate. The Council staff found them easy to work with and appreciative of our efforts. We thank them!

-14-

DSD6/hm/5318a

*Diana S. Dowling*





